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FISCAL IMPACT STATEMENT

LS 6074 | **NOTE PREPARED:** Jan 18, 2006
BILL NUMBER: SB 23 | **BILL AMENDED:** Jan 17, 2006

SUBJECT: Communication Service Infrastructure Tax Abatement.

FIRST AUTHOR: Sen. Hershman | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill provides a five-year deduction from the assessed value of communications service property, including: (1) real property; (2) personal property; and (3) the distributable property of a public utility company. It provides that the deduction is available if the installation, development, or redevelopment of the property is: (1) initiated after December 31, 2005, and before January 1, 2009; and (2) completed within two years. The bill provides that the amount of the deduction for a year equals the assessed value of the property, multiplied by a specified percentage.

This bill provides that a taxpayer that seeks the deduction for property (other than the distributable property of a public utility company) must apply to the Utility Regulatory Commission (IURC) for certification that: (1) the property is communications service property; and (2) the taxpayer has installed, developed, or redeveloped the property within the prescribed time frames. The bill also prescribes application and filing procedures for deductions for real, personal, and distributable property.

Effective Date: January 1, 2006 (Retroactive).

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) would be required to adopt rules governing communication service property abatements. The IURC would be permitted to adopt rules governing the Commission's certification of communication service property for abatement purposes.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, owners of real or personal communications service property would be entitled to an abatement on the property that the taxpayer installs, develops, or redevelops. To qualify for an abatement:

> For real property, physical work on development or redevelopment would have to begin between January 1, 2006, and December 31, 2008, and the property must qualify for assessment within two years after the work begins.
>
> Personal property must be acquired or produced by the taxpayer between January 1, 2006, and December 31, 2008, and the property must be installed within two years after acquisition. Personal property must never have been used by its owner in Indiana for any purpose before its installation.

The taxpayer would be required to obtain certification from the IURC that the taxpayer's real or personal property qualifies as communications service property and was installed, developed, or redeveloped within the allotted time. No certification would be necessary for distributable property.

The amount of real property AV eligible for abatement would equal the increase in AV due to the development. The amount of personal or distributable property AV eligible for abatement would equal the AV of that property.

The abatement would be available for 5 years. The eligible AV would be multiplied by a decreasing percentage each year to determine the abatement amount. The percentages are: 100% in year 1; 80% in year 2; 60% in year 3; 40% in year 4; and 20% in year 5.

The taxpayer would file a deduction application with the county auditor. The auditor may approve, deny, or alter the amount claimed after considering the township assessor's recommendation. The county auditor's action would be appealable.

Generally speaking, the addition of assessed value to the tax base provides a tax shift from existing property to new property by spreading the tax levy over a larger tax base. The proposed abatement would slow this shift as it pertains to property that would have been put in place regardless of the deduction. This shift could also be accelerated if the availability of the abatement results in an increase in development. The actual amount of abatements and tax shifts under this proposal is unknown.

State Agencies Affected: Indiana Utility Regulatory Commission; Attorney General; Department of Local Government Finance.

Local Agencies Affected: Certain political subdivisions, trial courts, city and town courts.

Information Sources: Indiana Utility Regulatory Commission.

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